



JOB CREATION COMMITTEE

Recommendations for the Indiana Board of Accountancy

December 2014

Information required by statute:

- 1. Identify the functions, powers, and duties of the regulated occupation and the board, including any functions, powers or duties that are inconsistent with current or projected practice of the occupation.**

Nothing was discovered that indicates the board or licensees are acting in a manner inconsistent with the current or projected practice of the occupation; however, other methods were identified to improve the regulatory management structure of the program. Please see No. 6 in this report for the recommendations and additional information.

- 2. Assess the management efficiency of the board.**

The Indiana Board of Accountancy operates with one (1) director, one (1) assistant director, three (3) customer service representatives, and one (1) compliance officer. The annual salary budget for all 6 employees is \$162,186. In factoring the costs to process licenses, it's important to recognize that the IPLA is an umbrella agency for 38 additional boards and commissions. The staffers working for the Board of Accountancy also serve other boards. The agency's executive staff also provides services to the entire agency and should be considered in this analysis. This includes the executive director, deputy director, chief legal counsel, staff attorney, communications director, legislative director, controller, controller staff, IT director and IT staff. The cost of administering and managing accountancy-related licenses would be even higher when factoring in the attorney general's office, which includes their expenses of Advisory Counsel to the Board, prosecution and senior management from both advisory and litigation.

The IPLA manages 13,913 active licenses for the Board of Accountancy.

The director, assistant director and compliance officer salaries are partially funded by the enforcement fund. The director and assistant director have approximately 20% (\$15,064) of their annual salaries (\$75,322) paid for through this fund while the compliance officer has a varying percentage that is based on the amount of time he spends on the accountancy profession.

- 3. Assess the regulated occupation's and the board's ability to meet the objectives of the General Assembly in licensing the regulated occupation.**

The IPLA and the Board of Accountancy have met the standards and statutes imposed by the General Assembly in providing adequate service to the accountancy profession and its licensees. The CPA Society did offer recommendations to improve the functionality of the board in regulating the industry. For more information, please see recommendations from the CPA society (No. 6) and the policy statement from the committee (No. 11) regarding the operational structure of the agency and the board.

4. Assess the necessity, burden, and alternatives to the licenses issued by the board.

Please see the policy statement recommendation (No. 11).

5. Assess the fees that the board charges for licenses.

The IPLA has a General Fund appropriation that is not board specific and is used to support the agency's operations for all 38 of its licensing boards and commissions. Licensing fees are not dedicated to the profession. The Accountancy Board does have an "Investigative Fund," and it is worth exploring legislative options to better utilize and administer those resources. An assessment of the fees charged by the Board is as follows:

CPA Certificate of Registration - 3 years

- First year of cycle (July 1, 2015 - June 30, 2016) - \$85*
- Second year of cycle (July 1, 2016 - June 30, 2017) - \$60*
- Third year of cycle (July 1, 2017 - June 30, 2018) - \$35*

CPA Application

- Reciprocity - \$85*
- Transfer of Grades - \$85*

CPA/AP/PA Renewal - 3 years

- Renewal - \$105.00**
- Reinstatement
 - Expired 0-3 years - \$50
 - Expired more than 3 years - \$85

Permit for Firms - 3 years

- Issuance - \$30
- Renewal - \$30
- Restoration Fee - \$50

Professional Corporation - 2 years

- Issuance - \$25
- Renewal - \$20

*Fees include an additional \$10 for the accountancy investigative fund

**Fee includes an additional \$30 for the accountancy investigative fund

872 IAC 1-1-10.5 - Accountant Investigative Fund

IC 25-1-8 Fees

The Enforcement Fund is established by IC 25-2.1-8-4,

Sec. 4. (a) The accountant investigative fund is established to provide funds for administering and enforcing the provisions of this article, including investigating and taking enforcement action against violators of this article. The fund shall be administered by the Indiana Professional Licensing Agency.

Since the creation of the fund, \$475,964 has been paid into the fund and \$241,759 has been paid out.

i. Monies paid to the fund may include those paid by licensees (for example, the \$105 renewal fee is broken down so that \$75.00 of that fee goes towards the PLA's general fund, while \$30.00 goes towards the enforcement fund and monies from civil penalties.

ii. Monies going out of the fund include salary costs, fringe, supplies, out-of-state travel, registration and dues, IOT fees, tech support, postage and an HR service fee. For 2014, all of these fees combined to cost roughly \$33,404.

6. List any other criteria identified by the committee.

The Indiana CPA Society recommended changes and clarifications to the statute that the committee finds persuasive.

The Indiana CPA Society recommends the following for consideration regarding continuing education requirements and best practices for the industry:

- i. Competency based pilot program
 - The Indiana CPA Society has been drafting the guidelines for this program and wouldn't require the IPLA to create the criteria.
- ii. Duplication of functions

The Indiana CPA Society recommends the following changes:

- iii. Consider private sector support for administrative functions of IPLA
- iv. CPE audit, draft rules, peer review, license renewal
- v. Create a new model for professional development
- vi. Develop education at all levels that recognize the use of technology and new learning methodology

- vii. Establish a regulatory framework for new professional development model for license renewal
- viii. Indiana innovation and leadership

The Indiana CPA Society recommends the following statutory changes:

- ix. Better utilization of the Enforcement Fund
 - 1. Established in 2007 (IC 25-2.1-8-4)

The JCC recommends that the governor support, and the Indiana General Assembly adopt, legislation to accomplish the stated goals as outlined above.

7. List the number of individuals who are licensed in the regulated occupation.

To date, the total number of active licenses with the Indiana Board of Accountancy is 13,913.

Certified Public Accountant (CPA)

- Required for anyone practicing accounting services in the State of Indiana

- a.) 12,328 active licenses in Indiana
- b.) 990 new licenses issued in past three year renewal cycle (6/2012-9/2014)

Public Accountants (PA)

- Performs same functions as a CPA but not allowed to perform attest services

- a.) 65 active licenses in Indiana
- b.) These licenses are no longer issued

Accounting Practitioner (AP)

- a.) 11 active licenses in Indiana
- b.) These licenses are no longer issued

Accountancy Professional Corporation

- Required by businesses that fall under the professional corporation description (IC 23-1.5-2)

- a.) 297 active corporate licenses
- b.) 9 licenses issued in past three year renewal cycle (6/2012-9/2014)

Firm Permit

- Required for all accounting businesses in Indiana (IC 25-2.1-5)

- a.) 1,212 active permits
- b.) 117 permits licenses issued in past three year renewal cycle (6/2012-9/2014)

8. Provide a summary of the board's functions and actions.

The Indiana Board of Accountancy was created by IC 25-2.1-2-2 and is statutorily responsible for the administration and enforcement of IC 25-2.1-2.

9. Provide the budget and other fiscal factors for regulating the regulated occupation, including the actual cost of administering license applications, renewals and issuing licenses.

The IPLA has a General Fund appropriation that is not board specific. The General Fund appropriation is used to support the agency operations for 38 licensing boards and staff. Licensing fees are not dedicated to the profession. The Accountancy Board does have an "Investigative Fund," and it is worth exploring legislative options to better utilize and administer those resources.

To review the staffing costs associated with administering licenses and renewals for the Indiana Board of Accountancy, please see No. 2. For the costs associated with having the Board and paying per diem, travel and court reporters for board meetings, please see the Appendix.

10. Provide an assessment of the effect of the regulated occupation on the state's economy, including consumers and businesses.

(According to the Indiana CPA Society)

Excerpt from the International Federation of Accountants® IFAC Policy Position 1: Regulation of the Accountancy Profession, September 2011, The Accountancy Profession:

"Members of the accountancy profession contribute to their communities in a wide variety of different roles, and within a range of different organizations.

Professional accountants work in, and contribute across, virtually all sectors of the economy, fulfilling diverse roles.

Professional accountants:

- Contribute to the growth of individual companies, support and sustain non-profit organizations, and assist governments in achieving their economic and social objectives
- Promote financial market performance, through the reporting of, and providing assurance on, financial information on which investors and other stakeholders rely in making resource-allocation decisions.

In these ways and others, professional accountants contribute to the growth of economies and ultimately to the well-being of society."

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Additional excerpt from a report on US Accounting Services published in March of this year.

“Firms in the accounting profession are certified to audit the accounting records of public and private organizations and to attest to compliance with generally accepted accounting practices. Certified public accountants (CPAs) provide a variety of accounting services, including auditing accounting records, designing accounting systems, preparing financial statements, developing budgets and providing advice on matters related to accounting.” IBISWorld.com

- With the majority of CPA Society members in public accounting and approximately 36 percent of membership holding positions in industry, government and education, CPAs effect countless business decisions being made in Indiana and elsewhere every day. They contribute immeasurably to the economic success of the state, the country and Indiana citizens.
- For more than 100 years, the profession has provided essential services to both individuals and companies of all sectors and sizes in support of a system of voluntary tax compliance at the federal and state level.

11. Include any recommendations for legislation, including whether: the regulation of a regulated occupation should be modified; the board should be combined with another board; or whether the board or the regulation of the regulated occupation should be terminated; whether a license should be eliminated; or whether multiple licenses should be consolidated into a single license. The report should also include any recommendations for administrative changes and information that supports the committee's recommendations. This section does not apply to fees that support dedicated funds. After the committee has reviewed and evaluated a regulated occupation and board, the committee shall provide the agency and the board that is the subject of the committee's evaluation with recommendations for fees that the board should charge for application fees, renewal fees, and fees to issue licenses. The recommendation for fees must comply with the requirements under IC 25-1-8-2. However, the recommendation must not exceed the lesser of either one hundred dollars (\$100) or the actual administrative cost to process the application or renew or issue the license.

This is the Job Creation Committee’s policy statement for the Indiana Board of Accountancy and the regulation of the accounting field:

The Job Creation Committee recommends that Indiana continue to license Certified Public Accountants in the State of Indiana. The Committee further recommends that an outside entity, professional organization or association be the responsible entity for the administrative functions of licensing CPA’s as an agent of the State of Indiana and that this entity also be responsible for setting the acceptable level of qualifying and continuing education standards for the industry. The Committee also recommends that the “Firm Permit” license type be continued as it is required for the professional practice of accounting in Indiana. The firm permit license requirement is needed in all 50 states and keeping this licensure requirement allows Indiana licensees to have reciprocity with other states. The Committee also recommends that a licensing board still exist to enforce licensure law and discipline licensees who violate license law and that those cases are prosecuted by the Indiana Attorney General’s Office.

APPENDIX: Indiana Board of Accountancy Costs

Board Member Travel Reimbursements	17-Jan-14	21-Feb-14	25-Apr-14	16-May-14	18-Jul-14	12-Sep-14	21-Nov-14
Randall Effner	\$17.60	\$17.60	\$17.60	\$17.60	\$17.60	\$17.60	\$17.60
Jamie O'Brien	\$280.73	\$280.73	\$267.22	\$272.73	\$285.73	\$254.22	\$272.73
Michael Vargo	\$24.64		\$24.64	\$24.64	\$24.64	\$24.64	\$24.64
JP Kane		\$30.80	\$30.80	\$30.80	\$30.80	\$30.80	\$30.80
Angela Zirkelbach		\$16.72				\$16.72	
Gregory Coy							
Monthly Totals	\$322.97	\$345.85	\$340.26	\$345.77	\$358.77	\$343.98	\$345.77
Total Travel Costs	\$2,403.37						

Board Member Per Diem Payments	17-Jan-14	21-Feb-14	25-Apr-14	16-May-14	18-Jul-14	12-Sep-14	21-Nov-14
Randall Effner	\$50.00	\$50.00	\$50.00	\$50.00			
Jamie O'Brien	\$50.00	\$50.00	\$50.00	\$50.00			
Michael Vargo*	\$50.00		\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
JP Kane		\$50.00	\$50.00	\$50.00			
Angela Zirkelbach	\$50.00	\$50.00	\$50.00	\$50.00			
Gregory Coy							
Monthly Totals	\$200.00	\$200.00	\$250.00	\$250.00	\$50.00	\$50.00	\$50.00
Per Diem Total	\$1,050.00	<i>*As of 12/11/14, Vargo was the only member to complete per diem forms.</i>					

Court Reporter Costs	17-Jan-14	21-Feb-14	25-Apr-14	16-May-14	18-Jul-14	12-Sep-14	21-Nov-14
Circle City Court Reporters	\$135.00	\$190.00	\$180.00	\$90.00	\$90.00*	\$270.00*	\$202.50
Total for Court Reporters	\$1,157.50	<i>*Costs were paid from the Accountancy Investigative Dedicated Fund.</i>					

TOTAL Board Operations Costs for 2014	\$4,610.87
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